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Acting Commissioner

Massachusetts Dairy Farm Revitalization Task Force

Meeting Minutes

July 27, 2007

University of Massachusetts Amherst

Campus Center Auditorium

Task Force Present:

Ms. Lynne Bohan, processor representative;
Representative Daniel Bosley, House of
Representatives;

Mr. Dwayne Breger, Jr., designee for Commission
Giudice, Division of Energy Resources;

Senator Stephen Brewer, Senate;

Mr. Mark Duffy, farmer representative;

Representative Lewis Evangelidis, House of
Representatives;

Ms. Ellen Fitzgibbons, Department of Public Health
designate;

Dr. William Gillmeister, appointee, Department of
Agricultural Resources;

Undersecretary Philip Griffiths, EEA Secretary's
designee;

Senator Michael Knapik, Senate;

Representative Stephen Kulik, House of
Representatives;

Senator Stanley Rosenberg, Senate;

Mr. David Shepard, Massachusetts Cooperative of
Milk Producers Federation representative;

Mr. Scott Soares, Commissioner Department of
Agricultural Resources;

Mr. Greg Watson, appointee, Energy and
Environmental Affairs;

Mr. Richard Woodger, Massachusetts Association of
Dairy Farmers representative.

Public: Members of the public were present at the meeting

9:30 Call to Order

Undersecretary Phillip Griffiths called the meeting to order at 9:46 AM. He welcomed the task force members and the public by stating that the dairy industry faced difficult circumstances in 2006 and that this task force was created to sustain the state's dairy industry and to reduce the likelihood of a similar situation occurring again. The main business of the meeting is to establish a task force framework regarding what needs to be done and how it is going to be done.

Introductions: All members present introduced themselves.

9:46 Purpose of the Task Force

Acting Commissioner Soares reviewed a timeline of events associated with the dairy crisis, beginning with the "perfect storm" of bad weather, low milk prices, and increasing costs leading to the "Petition for Relief" and subsequent investigation and hearings all culminating in a Declaration of Crisis, emergency relief of \$3.6 million, and the creation of this task force.

Mr. Soares then summarized the purpose of this task force which is to investigate short and long term solutions to sustain the state's dairy industry, and that based upon the Task Force's enabling legislation must also consider fuel prices, healthcare/insurance costs, promoting 'locally grown' dairy products, and promoting alternative and renewable energy uses for farmers to offset production costs. Acting Commissioner Soares commented that during the course of the investigation associated with the Petition for Relief, the MDAR looked at how other states, particularly Maine and South Carolina dealt with similar situations and what models those states have implemented in dealing with this matter.

Rules of Order

Acting Commissioner Soares sought consensus on the use of rules of order to conduct the business of the Dairy Revitalization Task Force. No objections or any questions were raised and the meeting proceeded.

10:00 Background and Update on Distribution of Relief Payments and Status of Massachusetts Dairy**Industry**

SCOTT J. SOARES, ACTING COMMISSIONER OF THE DEPARTMENT OF AGRICULTURAL RESOURCES

The Acting Commissioner described the distribution of the \$3.6 million in dairy farm relief. One hundred and eighty farms of 184 that applied received a payment. The \$3.6 million in relief was distributed over 272.7 million pounds which amounted to \$1.32 per hundredweight of milk. The average payment was just under \$20,000. The checks went out on July 19, 2007. As of the date of this meeting, no problems have arisen.

Presentations

Mr. Soares introduced one of the two-featured speakers Mr. Robert Wellington, A Senior Vice President for Economics, Communications, and Legislative Affairs at Agri-Mark, Inc.

Mr. Wellington began by reiterating the conditions of 2006, but then noted how Northeastern states have responded. Northeastern states have provided nearly \$70 million in emergency relief to dairy farmers. He compared payments among the various states and said that Massachusetts is above average in the payment rate distributed. He emphasized that although farmers welcomed the emergency relief, direct payments are not a solution to the overall problem.

As to the overall problem, he also noted that milk producing states in the western United States are producing far more milk than their eastern state counterparts and if Massachusetts dairy farms were to completely disappear it would be a blimp on the screen. This puts Massachusetts farmers at the mercy of a national milk market and even international market. He explained that the current run up in farm milk prices is the result of multiple factors on both the supply and demand side of the market. Demand factors include increased demand for milk products, particularly nonfat dry milk in countries such as India and China, favorable exchange rates for U.S. exports. On the supply side comes drought in New Zealand and Australia, and European countries that have decreased exports to the world market. Finally he pointed out

the environmental challenges facing, not only Massachusetts dairy farmers, but dairy farmers throughout the country with the primary challenge being manure management.

Mr. Soares then introduced the second presenter Mr. Bruce Krupke, Executive Vice President, New York State Dairy Foods, Inc.

Mr. Krupke began his presentation by asking task force members to focus on *perspective, changes, consolidation and growth*. He noted that milk markets must be considered as regional, national and global. He emphasized the changes by noting Dr. Kenneth Bailey's Dairy Outlook report which stated that there is a decline in the value of the dollar and the demand for products in the world market increases while the rate of production is slowing. The standard of living has increased in other countries, allowing more people to buy powdered dairy products. With such high milk prices, he said that there will likely be some price resistance at the retail level which will reduce demand. He also noted that milk production in Massachusetts is down 11% over the last year. In closing, he agreed with Wellington that prices are going to hold strong for dairy farmers for another year or so.

Discussion: Members of the Task Force then took the opportunity to ask questions on various aspects of what Mr. Wellington and Mr. Krupke said as well as to gain a further understanding of the dairy industry in Massachusetts. Topics ranged from transportation costs, the farmer's share of the retail dollar, western milk supply to producer processing. Senator Rosenberg and Representative Evangelidis both sought suggestions from Mr. Wellington and Mr. Krupke for solutions to the price volatility of milk. Mr. Griffiths then moved to the next item on the agenda.

10:45 New Business.

a. Framework for Evaluation of Long Term Options

Through the Panel discussion several potential solutions arose. Representative Bosley identified three separate categories of solutions that had either come in the discussion or that had been brought from outside information. The three categories were 1) policies to address the costs of production, 2) policies to increase

revenue, and 3) policies to enhance alternative agricultural activities. The Representative then listed a number of examples for each. Costs of production include cooperative purchase of inputs such as fuel, energy, and feed, net metering, methane digesters, and addressing transportation costs. On the revenue side examples included the Maine Model, income tax credit, promotion voluntary contribution, and revenue insurance. Alternatives include diversification of crops, agritourism, and a cooperatively run milk plant to offer alternative direct marketing channel for farm milk. The Task Force did not object to investigating these solutions.

b. Meeting Schedule

Undersecretary Phillip Griffiths proposed the Task Force members meet every two weeks up to the October 1, 2007 deadline to consider the topics itemized by Representative Bosley. The two week meeting schedule would begin on August 10, 2007, with subsequent meetings on the 24th of August, 7th of September and the 21st of September. All appreciated the UMASS location if it's available.

11:30 Public Comment

Kyle Bostrom, the Farm Manager at University of Massachusetts invited members of the task force to attend the field day event scheduled for August 1, 2007, which will focus on alternative feeds and biofuels. Mr. Bostrom, who is also a dairy farmer from Greenfield went on to praise the commission for all its efforts. Mr. Bostrom was the only individual from the audience to address the task force members.

Motion to Move to Adjourn Meeting:

Representative Kulik motioned to adjourn which was seconded by Ms. Fitzgibbons. The vote was unanimous and the meeting adjourned at 11:50 AM.